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RUEHMO/AMEMBASSY MOSCOW 0195  
RUEHCV/AMEMBASSY CARACAS 1365  
RHEHNSC/NSC WASHINGTON DC  
RHEFDIA/DIA WASHINGTON DC  
RUEAIIA/CIA WASHINGTON DC  
RUMIAAA/CDR USSOUTHCOM MIAMI FL  
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC  
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHDC  
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UNCLAS SECTION 01 OF 02 MANAGUA 000789

SIPDIS  
SENSITIVE

STATE PASS USTR AND USAID  
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E.O. 12958: N/A  
TAGS: [EAID](#) [ELTN](#) [ETRD](#) [ECON](#) [NU](#)  
SUBJECT: NICARAGUA: NEVER LOOK A GIFT BUS UNDER THE HOOD

REFS: A. MANAGUA 721; B. MANAGUA 600; C. 08 MANAGUA 1437

Summary  
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¶1. (SBU) On August 2, the first of 130 Russian buses began to transit the roads of Nicaragua. Several months ago, President Ortega announced that Russia had donated the buses -- at an event where he also blamed United States policies for having impoverished Nicaragua. A financial cooperative funded by the monetization of Venezuelan oil through the Bolivarian Alliance for the Americas (ALBA) is providing financing to favored transportation cooperatives allowed to purchase units at below-market prices. This "sweat-heart" deal is the latest evidence of President Ortega's partisan approach to foreign assistance and public services.

Ortega Announces Russian Bus Donation  
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¶2. (U) Several months ago, President Ortega announced that Russia had donated 130 new buses to replenish Managua's aging bus fleet. At an event held May 15, he declared, "The Russian Federation has helped us, without imposing political or economic conditionality." He contrasted this donation with the suspension (now termination) of a portion of the Millennium Challenge Account, complaining about "the Yankees and their interference" and lamenting that Nicaragua had one of the smallest MCA compacts "despite having been impoverished by the policies of the Yankee empire."

Buses Finally Hit the Road  
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¶3. (U) On August 2, Francisco "Chico" Lopez, Treasurer of the Sandinista National Liberation Front (FSLN) as well as President of ALBA Nicaragua S.A. (ALBANISA) -- the Nicaraguan/Venezuelan joint venture that funnels the proceeds of Venezuelan petroleum cooperation -- presided over the delivery of the first of the buses to transportation cooperatives. A total of 59 units now traverse the streets of Managua. Manufactured by the Gorky Automobile Plant (GAZ), they seat 25 passengers but can accommodate an additional 31 standing.

¶4. (SBU) After Ortega's announcement on May 15, mechanics at the Managua municipal garage, located next to the Embassy property, began modifying the buses to make them ready for Nicaraguan roads and weather. Each unit required significant alterations, including the installation of airbrakes, radiators, windows for ventilation, and the red and black flags of the FSLN. Passengers have told emboffs that the buses are comfortable, but they fear that the introduction of new equipment will eventually result in a hike in fares, currently 2.5 cordobas (about 13 cents) for urban routes.

ALBA-CARUNA Financing  
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¶5. (U) The National Rural Fund (ALBA-CARUNA), a microfinance organization linked to the FSLN that has received funding from ALBANISA, is providing financing for those bus cooperatives selected to receive a unit. The process by which ALBA-CARUNA chose recipients is unclear, but representatives of cooperatives not selected claim that only those with close FSLN ties were allowed to participate. ALBA-CARUNA is offering the buses for \$25,000, financed with 8-year loans at 2% interest.

Donation or Sale?  
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¶6. (SBU) An Emboff source familiar with the transaction asserted after Ortega's announcement that the buses are used and that they were not donated but in fact sold by GAZ to ALBANISA. In addition, the now-deceased Mayor of Managua Alexis Arguello told the media, "The buses were bought, on soft terms." Arguello later retracted his statement, claiming that he did not have all the details.

¶7. (SBU) Russian Ambassador to Nicaragua Igor Kondrashev contradicted these accounts in a conversation with the DCM in late May. He said GAZ,

Comment  
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¶8. (SBU) ALBANISA, despite the fact that it is a joint venture between two state-owned oil companies (PETRONIC of Nicaragua and PDVSA of Venezuela), is clearly identified with the FSLN, as is ALBANISA-funded ALBA-CARUNA. This "sweat-heart" deal to funnel busses to in-favor cooperatives is the latest evidence of President Ortega's partisan approach to foreign assistance and public services, as we have also seen in the areas of health, education, public sector employment, and food security (Reftels).

CALLAHAN